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SUBJECT: BELARUS BI-WEEKLY POL/ECON REPORT - NOVEMBER 20, 2009

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MINSK 00000385 001.3 OF 005

1.(U) The following are brief items of interest compiled by
Embassy Minsk.

TABLE OF CONTENTS

Civil Society

- Another "Case of 14" Amnestied, but Dubski Remains in Prison (para. 2)
- Registering Independent Media; A Step Forward and Two Back (para. 3)
- The Opposition Splits: Different Tactics and Political Ideology (para. 4)
- Belarusian Christian Democracy Try to Register, Yet Again (para. 5)

Elections

- Liberalizing Electoral Laws Behind Closed Doors (para. 6)

H1N1

- GOB Berates "Artificial" Panic Around H1N1 Flu (para. 7)

Domestic Economy

- Belarus: A Slow Approach to WTO Accession (para. 8)
- GOB Yes to Third IMF Tranche, But Ambivalent on Follow on SBA (para. 9)
- Belarus Still Hopes for a \$500M Loan from Russia (para. 10)
- Lukashenka Expresses Doubt with the Customs Union (para. 11)
- Gas Prices for Belarus Remain an Open Question (para. 12)
- Belarus Unable to Control its Growing Trade Deficit (para. 13)
- PM and Experts Agree: More Economic Reforms Are Needed (para. 14)

Quote of the Week (para. 15)

Civil Society

2.(U) Another "Case of 14" Amnestied, but Dubski Remains in Prison

On November 13, police notified Ales Straltsou that he had been granted amnesty. Straltsou is one of the 14 opposition youth who had participated in the January 10, 2008 unsanctioned entrepreneur demonstrations in Minsk, a criminal offense in Belarus. He was serving a mitigated "correctional labor" sentence of fourteen months, i.e. required to pay 15% of his salary to the state and banned from traveling abroad. In the "Case of 14," eight have been amnestied or have paid their fines; three have fled the country and face criminal evasion charges if they return to Belarus; and three continue to serve their sentences: Alyaksandr Charnyshou a mitigated 14 month "correctional labor" term; Maksim Dashuk an extended partial house arrest regime, and Artsiom Dubski a one year prison sentence for violating the terms of his partial house arrest regime. All requests by Dubski for early release have been either rejected or left unanswered by the GOB and/or the courts.

3.(SBU) Registering Independent Media; A Step Forward and Two Back

On November 11, the Council of Ministers allowed the Polish-based European Radio for Belarus (ERB) to open its bureau in Minsk. The bureau's accreditation is for one year, but it applies only to the bureau. ERB's twelve correspondents must now individually apply for accreditation to the MFA, itself an open ended process. On a separate issue, the Information Ministry refused on November 10 to register the regional independent newspaper Prefekt-Plus, on the grounds that it cited a residential residence as its offices, which is illegal. According to the Belarusian Association of Journalists this is the sixth denial of registration to regional independent newspapers in the past three months. Also, local authorities in

MINSK 00000385 002.3 OF 005

Barysau refused to extend in October a retail trade license to the independent regional weekly Borisovskie Novosti [Barysau News]. The paper, despite being banned from the state-run distribution and subscription network, proved to be viable. This latest move by the GOB, however, may force it into bankruptcy. Aggravating the situation, local authorities are obstructing the paper's efforts to reach agreements with small businesses to sell copies of the weekly on the grounds that paper slanders local and national authorities.

4.(SBU) The Opposition Splits: Different Tactics and Political Ideology

On October 27, former members of the United Democracy Forces (UDF) announced the establishment of a right of center Belarusian Independence Bloc (BIB). The political groups consists of registered (For Freedom (FF) movement, Belarusian Popular Front (BPF), Right Alliance) and unregistered (Malady Front, Young Belarus, BCD party, Party of Freedom and Progress) parties, NGOs, and youth associations. Its three interdependent core principles are: a sovereign Belarus, a democratic Belarus, and a European Belarus. On November 14, BIB participated in the European Forum its de facto political congress (reftel). FF leader Alyaksandr Milinkevich, the Forum's main organizer, called for the EU to embrace Belarus as opposed to isolating it in order to affirm its sovereignty and promote "irreversible" democratic changes in Belarus. He announced that the new Bloc would participate in the 2010 local elections and nominate a presidential candidate, a role, he said, he would be open to playing. Meanwhile, Anatol Lyabedzka, the United Civic Party (UCP) leader and Co-Chair of the United Democratic Forces (UDF) opposition coalition, voiced skepticism about the "defeatist" policies of BIB. He stated that the UCP would not join the bloc, would pursue its own election strategy, and that it was "a mistake" to abandon the broader coalition of democratic forces established in the run up to the 2006 presidential polls. With two major coalitions in place, the opposition will likely

nominate at least two candidates for the 2011 presidential candidates. Lyabedzka also announced that the UDF would hold its "pilot" presidential primary in the Vorsha district in January-February 2010, to begin refining the process of selecting its candidate for the 2011 race. Nevertheless, the leadership of BIB and UDF has independently told the Charge that they will cooperate in the local elections with the hopes of nominating up to two hundred candidates for the 25,000 local positions that will be contested, an indication of the limited depth of the opposition's bench.

5.(U) Belarusian Christian Democracy Try to Register, Yet Again

On November 9, the Belarusian Christian Democracy (BCD) party applied for registration to the Ministry of Justice (MOJ); its original registration had been denied on April 15, 2009. To initiate the second attempt at registration, BCD held its second founding congress in Minsk on October 31. Over 300 delegates attended the meeting. Initially, Minsk city authorities regretted that all venues were already reserved, but when BCD threatened to stay their Congress in one of the city's central squares, the city authorities relented. However, on October 31 authorities in the regions detained for ID checks a number of the BCD members causing them to miss the Congress. An EMBOFF observed the event, but neither the state media nor the security services were visible noticeable. Independent media did cover it live. The party, in preparation for a second rejection, filmed the Congress so as to document that all procedures had been legally followed. Nevertheless, according to Vital Rymashewski, Co-chairman of the BCD, authorities across Belarus already have begun pressuring party activists to deny that they attended the Congress or voluntarily signed the founding petition. "We believe that this pressure may already be described as political persecution~ We urge authorities and personally Alyaksandr Lukashenka to immediately stop the persecution of the party's founders and their families," Rymashewski said in a statement to the press. (Note: If a sufficient number of founding members recant their signatures, the registration, as was the case previously, will be denied for "technical" reasons.)

Elections

6.(U) Liberalizing Electoral Laws Behind Closed Doors

MINSK 00000385 003.3 OF 005

On November 10, Lukashenka's press offices announced that the Central Election Commission (CEC) had submitted amendments to the electoral law to the parliament with the expectations that they would be adopted before the December 28 recess. The CEC's amendments (not a public document) reportedly require that a minimum of one-third of the precinct and district election commission members be representatives of political parties and NGOs. In addition, procedures for candidates' nomination and registration will be simplified, including allowing parties to nominate candidates in electoral districts even if they have no registered office. Campaigning, however, will only be allowed in designated venues and the candidates "will need to notify authorities in advance to ensure security and order," the President stressed. Candidates may set up election funds, but fundraising and spending would be under "strict" state supervision. The CEC proposal also plans to introduce broader rights for observers to monitor ballot counting, but this would still be contingent upon "decisions" taken by election commissions' chairs, Lukashenka stated. According to the President, the changes are being introduced not because of "pressure" from the EU but because Belarus was "a sovereign state" seeking to implement policies in its own interests while drawing on "the best world practices." There is no legal requirement for legislation to be vetted with the public before it's passed.

H1N1

7.(U) GOB Berates "Artificial" Panic Surrounding H1N1 Flu

The Information Ministry prohibited on November 4 state-controlled media outlets to publish unauthorized reports on the spread of the swine flu. On November 5, during his official trip to Kyiv, President Lukashenka blamed pharmaceutical companies for whipping up hysteria around the flu and only seeking "to make money additionally on people's trouble." On November 10, following public criticism of the deficit of information, the Healthcare Ministry confirmed that 13 people had died in Belarus of the H1N1 flu. As of November 16, the number of the laboratory-verified cases of H1N1 flu had reached 165 but now numbers of cases are reportedly declining. On November 17, the Healthcare Ministry announced a tender to purchase of H1N1 flu vaccines despite its earlier statement that Russia would and supply the vaccines to Belarus "either for payment or free of charge."

Domestic Economy

8.(U) Belarus: A Slow Approach to WTO Accession

Various media outlets carried the comments by Valery Sadokha of Belarus' Foreign Ministry at the Minsk Forum XII that the GOB would not "accelerate significantly" the country's WTO accession efforts since the organization had put forward "high demands" including requests for Belarus to reduce import duty rates. The GOB, he said, would work at its own pace to bring the country's laws and regulations in line with the WTO's recommendations. Nevertheless, he referred to "promising relations" established this year with the IMF and the EBRD as examples of Belarus' interest in cooperating with international organization.

9.(U) GOB Yes to Third IMF Tranche, But Ambivalent on Follow on SBA

An IMF staff mission and the Belarusian authorities reached agreement, subject to approval by the IMF Executive Board, on the completion of the third review of the Stand-By Agreement (SBA) with Belarus. The third review is to be considered by the IMF Executive Board in late December. Upon completion of the review, SDR 437.93 million (close to \$700 million) will become available for disbursement by the end of the year. Regarding a follow on SBA, Deputy PM Andrei Kabiakou announced on November 13 that the GOB has not yet decided whether it will apply for a new IMF SBA after the current one is "completed in Q1 2010." Kabiakou underscored that the foreign trade deficit was decelerating, citing "\$180 million in the last reporting month" vs. "\$500-\$600 million a month in early 2009." "Base on these results, we will decide" in 2010 whether we need a follow on

MINSK 00000385 004.3 OF 005

SBA, he added

10.(U) Belarus Still Hopes for a \$500M Loan from Russia

According to media reports, Russian Finance Minister Aleksei Kudrin told reporters in Moscow on October 28 that Belarus had not withdrawn its request for a \$500 million loan from Russia despite the latter's refusal to lend the money bilaterally. Mr. Kudrin, however, did state that the loan to Belarus could be issued in the framework of the Eurasian Economic Community (EurAsEC). The EurAsEC, which is comprised of Russia, Kazakhstan, Belarus, Kyrgyzstan, and Tajikistan, will start operating a \$10 billion anti-crisis fund after the agreement is ratified by all EurAsEC members. Belarus' parliament ratified it on October 28.

11.(U) Lukashenka Expresses Doubt with the Customs Union

Speaking on November 17 at a televised government session,

Lukashenka expressed doubt that the proposed Customs Union of Belarus, Russia and Kazakhstan would be in Belarus' best interests. He opined that Russia and Kazakhstan, who unlike Belarus possess hydrocarbon energy resources, had managed to ensure provisions and decisions, which benefit them but might jeopardize Belarus' interests. In addition, Lukashenka expressed skepticism that the Single Customs Tariff, which is scheduled to be launched on January 1, 2010, has been fully vetted by the GOB in terms of its impact on Belarus' economy. Lukashenka said it was still not clear if Russia would lift export duties on Belarus-bound oil or if the Customs Union would establish uniform pricing policy for natural gas. Another concern he raised was the fair distribution of tariff payments for imports from third countries. "Will our membership in the Customs Union, which is formed mostly on Russian conditions, enable us to recover the lost profits from cooperation with third countries?" Lukashenka instructed the GOB to analyze the situation and submit its recommendations to him before the end of November, when the three countries are supposed to sign in Minsk the documents launching the Customs Union.

12.(U) Gas Prices for Belarus Remain an Open Question

The position as stated by Gazprom CEO Aleksei Miller on October 11 is that "the Belarusian side must fulfill its [contractual] obligations". Under a five-year contract signed with Gazprom on December 31, 2006 the natural gas price for Belarus is to gradually increase to the European market level by 2011. On November 12, commenting on Belarus' gas situation the Belarus Prime Minister referred to a Belarus-Russia agreement that stated consumers in both countries should pay the same price for gas as of January 1, 2011. That agreement should put into question, he said, Gazprom's decision to raise gas price for Belarus in 2010. The GOR was deferring gas hikes on its consumers until 2014, and thus per the cited agreement gas hikes should also be deferred on Belarusians until after 2014. According to press reports aired on November 16, the natural gas price for Belarus had dropped from \$157.74 per one thousand cubic meters (tcm) in the second quarter to \$115.25 in the third quarter this year. Belarus, however, reportedly owes Gazprom \$165.84 million as of October 1 primarily automatic fines triggered by the contract's requirement of minimum purchase during the course of the year. The parties have allegedly agreed to settle the debt before the end of this year.

13.(U) Belarus Unable to Control its Growing Trade Deficit

Belarus' Deputy Prime Minister Vladimir Patupchyk told the Parliament on October 28 that the foreign trade deficit exceeded \$3.5 billion in the first nine months, which vastly exceeded the GOB's initial projection of \$1.5 billion for the year. He explained that the trade gap was growing because products with imported components that were intended for export could not find market and instead inventories were just expanding. As of October 1, 2009, inventories were at 168 percent of the average monthly output. Overall, export of goods and services fell by 42.4% year-on-year in the first nine months whereas imports decreased only by 34.5%. Belarus' GDP did increase by 0.4 percent year-on-year in the first seven months, but declined by 0.5 percent in the first eight months and by 0.3 percent in the first nine months. In an effort to promote import substitution, Lukashenka introduced on November 16 higher customs tariffs on food products and raw materials for a period of nine months. Tariffs on milk, cheese and pasta were doubled to 30 % of the

MINSK 00000385 005.3 OF 005

customs value. Tariffs on potatoes, onions, cabbage and carrots were set at 180 % of the customs value, up from 15% on average. The edict also increased for one month tariffs on cucumbers and tomatoes from 15% to 50% for a period of one month.

14.(U) PM and Experts Agree: More Economic Reforms Are Needed

According to media reports, PM Sidorski stated on November 12 at the Belarusian Investment Forum that the GOB is committed to continue reforms in "all sectors of economy", stating that "we

are now working on a dramatic reduction in the number of activities requiring a license." The GOB will allegedly streamline "accounting procedures and international financial reporting standards in 2010. Sidorski announced plans to develop "a single investment agency" under the PM that "will provide convenient conditions for investors' activity in Belarus." Speaking at the same event the World Bank's International Finance Corporation (IFC) Representative in Belarus, Craig Bell referred to 2009 studies, which indicate that "investors find the situation in Belarus complicated, non-transparent, and inconsistent." While the legal and regulatory environments remain undecided, only 30% of Belarus' GDP accounts for the private sector. At the same time, he welcomed the liberalization of price controls and the abolition of loan interest caps as well as simplification of business registration and tax procedures.

Quote of the Week

15.(U) During his state visit to Ukraine on November 5 Lukashenka told reporters in a joint press opportunity with Ukrainian PM Yulia Tymoshenko:

"You are in difficult times. So many problems have fallen upon this poor woman [Tymoshenko]. She is fighting alone among men. I cannot congratulate you on what is happening. I simply wish that you will remain unharmed and that you will come out of this great battle."

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